April 30, 2019

Frankly Reports Fourth Quarter and Full Year 2018 Financial Results

NEW YORK, April 30, 2019 /PRNewswire/ --**Frankly Inc. (TSX VENTURE: TLK) (Frankly or the Company)**, the leading lens-to-screen digital platform that empowers media companies to publish and monetize their content across web, social, mobile and OTT experiences, reported financial results for the fourth quarter and full year ended December 31, 2018. All financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

Fourth Quarter 2018 Financial Results (All amounts in U.S. dollars)

- Revenue increased slightly to $6.1 million from $6.0 million in the prior quarter and decreased 3% from $6.3 million in the fourth quarter of 2017. The year-over-year decrease was due to lower license fees and usage fees driven by a small number of customer losses as well as lower professional services fees due to less ad hoc professional services engagements in the 2018 period.
- Net income totaled $8.1 million compared to $(14.1) million in the prior quarter and $(10.2) million in the fourth quarter of 2017. The significant year-over-year increase in net income of $18.3 million was primarily due a reduction in impairment expense of $6.6 million due to a goodwill impairment expense of $6.5 million in the fourth quarter of 2017 and a $9.3 million gain on extinguishment of debt in the fourth quarter of 2018 which was recognized in connection with the October 15, 2018 amendment to the Company's non-revolving credit facility with Raycom Media, Inc. In addition, the Company had decreases in depreciation and amortization and interest expense of $1.0 million and $0.6 million, respectively.
- Adjusted EBITDA loss totaled $(0.3) million compared to adjusted EBITDA of $1.0 million in the prior quarter and adjusted EBITDA loss of $(0.2) million in the fourth quarter of 2017 (see discussion about the presentation of adjusted EBITDA below). The year-over-year decrease in adjusted EBITDA of $0.1 million was primarily due to capitalized software development costs in the fourth quarter of 2017 in the amount of $0.8 million. In Q3 2018, the Company fully impaired its capitalized software development costs, and as a result, beginning Q4 2018, the Company no longer capitalized its software development costs which consist of employee and contractor costs. When considering capitalized software development costs in the 2017 period, to make comparable to the 2018 period, the adjusted EBITDA loss would have amounted to $(1.0) million. The revised year-over-year increase in adjusted EBITDA of $0.7 million was primarily due to a reduction in operating expenses, primarily related to the headcount reduction in connection with the Company wide reduction-in-force which occurred in the first quarter of 2018, slightly offset by a reduction in revenue described above.

Twelve Month 2018 Financial Results (All amounts in U.S. dollars)

- Revenue decreased 8% to $23.7 million from $25.7 million in 2017. The decrease was primarily due to lower license fees and related usage fees driven by a small number of customer losses as well as lower professional services fees due to less ad hoc professional services engagements in the 2018 period.
- Net loss totaled $(11.2) million compared to $(17.2) million in 2017. The improvement in net loss of $6.0 million was primarily due to the $9.3 million gain on extinguishment of debt as described above. In addition, there was a decrease in operating expenses, including stock-based compensation, of 3.6 million primarily related to the headcount reduction in connection with the Company wide reduction-in-force which occurred in the first quarter of 2018, a decrease in Nasdaq listing fees and other transaction costs of $1.0 million, a decrease in depreciation and amortization of $0.5 million and a decrease in interest expense of $0.6 million. These decreases were partially offset by a $2.0 million decrease in revenue as described above, a $6.2 million increase in impairment expense and $1.0 million restructuring expense primarily related to the Company wide reduction-in-force described above, but also included a lease termination expense of $0.5 million. The Company finalized its move out of its Long Island City, New York headquarters into a smaller space in New York City, New York.
- Adjusted EBITDA totaled $504,000 compared to adjusted EBITDA loss of $(339,000) in the prior year. The increase in adjusted EBITDA of $843,000 was primarily due to decreases in operating expenses highlighted in the net loss section above which were partially offset by a decrease in revenue.

- At December 31, 2018, the Company had $4.1 million in cash and restricted cash.

Customer Agreement Update

As previously disclosed, the Company had several customers terminate their customer agreements with the Company on or about December 31, 2018. In the aggregate, these terminations represent a significant percentage of the Company's revenue and are expected to have a material negative impact on the Company's 2019 revenues and related net income (loss).

Management Commentary

"2018 was a challenging year for our company," said Frankly CEO Lou Schwartz. "We were forced to make difficult decisions that had a material impact on the financial and operational performance of the business. However, despite these near-term setbacks, we found ourselves presented with a real opportunity to look more broadly at our strategy and now have the opportunity to make meaningful changes to our long-term roadmap. Going forward, in addition to driving innovation within our existing product suite, we'll be focusing our attention on new prospects within adjacent media verticals, our existing cloud video software and solutions as well as channel partnerships, and other areas that will drive significant revenue growth and profitability in years ahead."

About Frankly

Frankly Media provides a complete suite of solutions that give publishers a unified workflow in the creation, management, publishing and monetization of all content to any device maximizing audience value and revenue. Frankly brings publishers and their audiences the solutions to meet the dynamic challenges of a diverse content multiscreen world. The company is headquartered in New York with offices in Atlanta. For more information, visit www.franklymedia.com.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Non-GAAP Measures

The Company reports earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA, which are not financial measures calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP") and therefore may not be comparable to similar measures presented by other issuers. EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute to net income (loss) or any other financial measures of performance or liquidity calculated and presented in accordance with GAAP. The Company defines Adjusted EBITDA as EBITDA, adjusted to exclude certain non-cash charges and other items that we do not believe are reflective of our ongoing operating results. The Company utilizes Adjusted EBITDA internally for purposes of forecasting, determining compensation, and assessing the performance of our business, therefore, we believe this measure provides useful supplemental information that may assist investors in assessing an investment in the Company.

The following unaudited table presents the reconciliation of net loss to Adjusted EBITDA for the three and twelve months ended December 31, 2018 and 2017, respectively.

	Year Ended December 31,	
	2018	2017
Net Loss	$ (11,227,853)	$ (17,193,639)
Interest expense, net	1,882,735	2,459,514
Income tax expense	-	-
Depreciation and amortization	3,851,356	4,381,888
Impairment expense	12,789,343	6,630,936
Stock-based compensation	395,634	1,141,117
Loss on disposal of assets	12,823	-
(Gain) loss on extinguishment of debt	(9,293,647)	38,287
Transaction costs	76,582	139,710
Nasdaq listing fees	-	913,690
Restructuring expense	1,020,106	-
Retention expense	997,172	740,523
Other expense	-	408,579
Adjusted EBITDA	$ 504,251	$ (339,395)

Notice Regarding Forward-Looking Statements

This release includes forward-looking statements regarding Frankly and its respective businesses, including *statements with respect to expected customer agreement terminations and the timing therefor, the potential for ongoing service relationships with customers and potential impacts on revenue in 2019, the ability to break-even on an operating cash-flow basis and the ability to create value for shareholders. Forward-looking events and circumstances discussed in this release may not occur by certain specified dates or at all and could differ materially as a result of known and unknown risk factors and uncertainties affecting the parties. Forward looking statements depend on certain assumptions that management deems to be reasonable in the circumstances, but such assumptions may prove to be incorrect and the outcome of the subject of any forward-looking statement cannot be guaranteed. Such assumptions are based on, among other things, ongoing negotiations with customers and current operating performance. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Frankly undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.*